

# **VERMONT STATE TEACHERS' RETIREMENT SYSTEM**

Meeting of the Board of Trustees

**February 8, 2011**

## **Members present:**

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2011

JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2012 - via telephone

LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2012

THOMAS MCCONNELL, Active Member Representative, term expiring July 1, 2013

VAUGHN ALTEMUS, representing Commissioner of Education

THOMAS CANDON, representing Commissioner of BISHCA

ELIZABETH PEARCE, VT State Treasurer

## **Members absent:**

None

## **Also attending:**

Cynthia Webster, Director of Retirement Policy and Outreach & Executive Secretary to the Board

Chip Sanville, Great West Retirement Services

Perry Christie, Great West Retirement Services

William Thornton, Advised Asset Group – via telephone

Mark Hage, VEHI, Director of Benefit Programs, Vermont-NEA

Joseph Zimmerman, VEHI, Trust Administrator, VSBIT

Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Jon Harris, called the Tuesday, February 8, 2011, meeting to order at 9:04 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

## **ITEM 1:      **Approve the minutes of:****

**January 20, 2011**

**On motion by Mr. Mackey, seconded by Mr. McConnell, the Board voted to approve the minutes of January 20, 2011, as submitted. Ms. Pearce abstained from the vote. The motion carried.**

## **ITEM 2:      **403(b) quarterly update by Great West Retirement Services****

### **Discussion with Advised Asset Group (AAG) via telephone**

Mr. Sanville appeared before the Board and provided the Quarterly Report for December 31, 2010 for the 403(b) Investment Program. Mr. Sanville provided the plan overview. Mr. Sanville indicated there was a 23.6% increase in the plan assets from October 1, 2010 to December 31, 2010. There was a discussion about the plan assets. There was a discussion about the diversification of the plan participants. There was a discussion about the increase in

participants and an increase in the average account balance per participant. There was a discussion about contributions. Mr. Christie indicated he will research the average quarterly numbers since they seem high and he will report back to the Board. There was a discussion about an increase in plan participation. There was a discussion about distributions and the reasons for distributions. There was a discussion that 517 participants are utilizing the managed accounts. There was a discussion about managed accounts and profile funds. There was a discussion concerning moving an IRA into the 403(b) account.

Mr. Sanville provided an update on the field activity. Mr. Sanville advised the Board they added Lamoille North this quarter. Mr. Sanville advised the Board of the challenges he faces adding new entities to the 403(b) plan. Mr. Sanville advised the Board of the work Rose is providing in southern Vermont.

(Mr. Christie left the conference room at this time to provide the call-in number to Advised Asset Group.)

Ms. Pearce advised the Board that a demographic analysis was conducted for the SDIA plan. Ms. Pearce advised Mr. Sanville she would provide him with the data that was obtained so that Great West could continue to work with the data and keep it updated since there is a contract requirement that demographic information be maintained. Ms. Pearce advised the Board half of the SDIA portfolio is with ICMA-RC and half is still with Dwight. There was a discussion concerning what options were available when the Agon wrapper expires August 11<sup>th</sup>. There was a discussion about wrappers.

(Mr. Christie returned to the conference room.)

(Mr. Thornton joined the meeting via telephone.)

William Thornton from Advised Asset Group (AAG) participated via telephone to discuss the investment environment and fund performance. There was a discussion concerning unemployment, the GNP, and the market. There was a discussion about the two new additions to the fund line-up. There was a discussion about target date funds. Mr. Harris indicated to Mr. Thornton the Board was possibly looking into an annuity product. Mr. Thornton agreed to look at the annuity products available and provide what information he could.

Ms. Pearce requested a section to show the historical data on the Great West portfolio fund. There was a discussion concerning the quarterly statements participants receive. There was a discussion concerning the Morningstar rating. The Board thanked Mr. Thornton for his participation in the meeting. Mr. Thornton indicated if the Board members had any further questions, he would be happy to answer them.

(Mr. Thornton left the meeting at this time.)

**ITEM 3: SDIA quarterly update**

Mr. Sanville appeared before the Board and provided the Quarterly Report for December 31, 2010 for the SDIA Plan. Mr. Sanville reviewed the plan overview, plan assets, participation and distributions for the SDIA plan, as well as the administrative overview for the SDIA Plan.

Ms. Pearce advised the Board of the interruption in phone service with Great West and the Montpelier office recently. Ms. Pearce indicated she was informed of this issue via the Human Resources Department. Ms. Webster indicated the Retirement Division was notified of the downed phone service, but had no idea it would be for so many days. Mr. Sanville indicated they now have a back-up plan to have a notification on the website if this were to happen again. Ms. Webster indicated she would also be in contact with HR if this were to happen again so that information could be disseminated to the participants.

(Mr. Sanville and Mr. Christie left the meeting at this time.)

(A recess was taken from 10:25 a.m. to 10:45 a.m.)

(Mr. Mackey was not present via telephone at this time.)

(Mr. Hage and Mr. Zimmerman entered the meeting at this time.)

**ITEM 4:      VEHl presentation of medical premium rates for FY 2012**

Mr. Hage and Mr. Zimmerman presented to the Board the premium increases for the VEHl health insurance for FY 2012. There was a discussion about the single payer plan. There was a discussion about the Federal health insurance plan. There was a discussion about the reserves. There was a discussion about using the reserves in order to reduce the rate of increase. There was a discussion about the wellness programs that are offered to members. Mr. Zimmerman explained to the Board the website and the video links that are available to members.

(Mr. Hage and Mr. Zimmerman left the meeting at this time.)

**ITEM 5:      Review/act on disability application of:**

**Annemieke Graven Meau                      new**

**On motion by Mr. Candon, seconded by Mr. McConnell, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Annemieke Graven Meau, with a one-year review.**

**ITEM 6:      Review/act on Margaret Spencer appeal for TRS membership**

Ms. Webster provided the Board members the staff's opinion of Ms. Spencer's request. The Board discussed the timeline for Ms. Spencer obtaining a license.

**On motion by Mr. McConnell, seconded by Ms. Pearce, and after a friendly amendment, the Board voted unanimously to deny Ms. Spencer's request for membership in VSTRS and to uphold the staff determination based on what the law states.**

Ms. Webster indicated she will send a letter to Ms. Spencer advising her of the Board's decision.

**ITEM 7: Updates on the following:**

**2011 Legislative Update  
active member alternate election  
VPAS Update  
Changes in personnel/jobs within Treasurer's office**

Ms. Webster provided the Board an update on the member who is working with Senator Illuzzi concerning her purchasing time to get to 10 years for the health insurance subsidy. The Board discussed this issue and the ramifications it could have. Ms. Webster indicated she did not have the cost from the actuary that would be associated with this request. Mr. Harris indicated they should receive the relevant numbers first, and then if a bill is introduced the Board will have a meeting to discuss it further.

Ms. Pearce advised the Board she is having a meeting with the actuary concerning health care February 17<sup>th</sup>, and will report back to the Board with what has transpired. Ms. Pearce explained the funding for the system and for the health care. Ms. Pearce explained the EERP money to the Board members. Ms. Pearce advised the Board negotiations are still being conducted with the VSEA and VTA concerning the savings that are required with VSERS.

(Mr. Mackey returned to the meeting via telephone during this item.)

The Board discussed the different options available for the alternate election process. The Board discussed the term for the alternate. The Board discussed the communication which was had with Ms. Buehner. The consensus of the Board was to hold a trustee and alternate election this year. The trustee would serve a four-year term and the alternate would serve a two-year term. It was further agreed if there was an absence of interest in the alternate position the Board will appoint an alternate. Ms. Webster indicated she will provide a job description for both the trustee and alternate position. Ms. Webster indicated election information will go out late March with petitions being due early May.

Ms. Pearce provided the Board members with an update concerning VPAS. Ms. Pearce indicated the ben-pay phase was completed already and the active side is now being run parrell, and the next step will be to have member reporting run parrell. Ms. Pearce indicated the final phase will be the active member estimate portion with a completion date of June, and if not June by September. Ms. Pearce indicated there will be on-site staff from LRS (Levi, Ray and Shoup) for a year or two after the full implementation of the product.

Ms. Pearce informed the Board members there was a change in the tax tables which resulted in a large volume of telephone calls to the office. Ms. Pearce indicated communication will be improved on issues like that.

Ms. Pearce advised the Board of the recent changes in the Treasurer's Office staff, including Stephen Wisloski being appointed as Deputy Treasurer, Laurie Lanphear being appointed Deputy Director of Retirement Operations, and Al LaPerle taking on the HR functions from Michael Clasen's position. Ms. Pearce indicated they will be advertising for a Director of Investment Management. It was discussed that Mr. Rauh would be included in interviews for that position. There was further discussion what additional duties Ms. Webster has taken on. Ms. Pearce indicated once they reconfigure Michael Clasen's position, she will report back to the Board.

There was a discussion about the SEC. Ms. Pearce assured the Board they were in pretty good shape. There was a discussion about elected or appointed officials serving on boards. There was a discussion about registering as an investment advisor.

**ITEM 8: Any other business to come before the Board**

None.

**ITEM 9: Adjournment**

**On motion by Mr. McConnell, seconded by Mr. Altemus, the Board unanimously voted to adjourn at 12:45 p.m.**

**Next Meeting Date:**

The next scheduled VSTRS meeting is a conference call meeting on March 10, 2011 at 3:30 p.m., if needed.

Respectfully submitted,

Cynthia L. Webster  
Executive Secretary to the Board